

## Message Text

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ACTION SS-25

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C O N F I D E N T I A L LA PAZ 4768

EXDIS

EO 11652: GDS  
TAGS: PINT, BL  
SUBJECT: UPCOMING DECISION ON VEHICLE ASSEMBLY: ATTEMPT TO  
EXTORT CHRYSLER REPRESENTATIVES

REF: LA PAZ 4356, LA PAZ 4413, LA PAZ 4524

1. YESTERDAY I HAD TWO OF MY WEIRDER CONVERSATIONS SINCE  
ARRIVING IN LA PAZ. FIRST, THE FOREIGN MINISTER, GENERAL  
ADRIAZOLA, ONE OF THE DIMMER LIGHTS OF THE BANZER  
ADMINISTRATION, CALLED ME IN TO PROTEST MY "INTERVENTION  
IN INTERNAL BOLIVIAN AFFAIRS, BY PUTTING THE GOVERNMENT  
UNDER PRESSURE ON THE AUTOMATIVE ASSEMBLY DECISION."  
ADRIAZOLA SAID THAT WHILE HE HAD NOT ATTENDED LAST WEEK'S  
CABINET MEETING, THERE WAS A DISCUSSION OF MY EFFORTS  
TO PRESSURE THE GOVERNMENT INTO ACCEPTING CHRYSLER'S  
OFFER FOR LIGHT TRUCK ASSEMBLY AND HE ASKED WHETHER THIS  
WAS NOT, IN FACT, INTERVENTION IN INTERNAL GOB DECISIONS.

2. I TOLD ADRIAZOLA THAT IT CERTAINLY WAS NOT AND HIS  
CONCLUSION OF INTERVENTION WAS UNACCEPTABLE SINCE IT  
WAS BASED ON MISINFORMATION. I THEN REVIEWED WITH  
ADRIAZOLA MY CONVERSATIONS ON THE AUTOMATIVE ASSEMBLY  
DECISION, ALL OF WHICH CONCERNED EXCLUSIVELY AN ALLEGED  
EXTORTION ATTEMPT:  
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--THE REPORT TO ME BY TWO CHRYSLER REPRESENTATIVES THAT THEY  
HAD BEEN ASKED FFOR \$1 MILLION BY THE UNDER SECRETARY OF  
INDUSTRY UNDER THREAT OF DERAILING CHRYSLER'S OFFER IF  
THIS WAS NOT PAID,

--MY REPORT OF THIS ALLEGATION TO GENERAL VILLALPANDO, ARMY

COMMANDER, AND TO GENERAL PEREDA, SINCE THE MONEY WAS REQUESTED (PROBABLY DISINGENUOUSLY) IN THE NAME OF HIS CAMPAIGN,

--MY REPORT OF WHAT I KNEW TO THE MINISTER OF INDUSTRY, AT HIS REQUEST, AFTER BOTH PEREDA AND VILLALPANDA HAD UNLOADED ON HIM.

3. ADRIAZOLA REACTED AS IF SHOCKED. (HE CLEARLY DID NOT KNOW OF THE EXTORTION ALLEGATION.) HE ASKED WHY THE MINISTER OF INDUSTRY HAD NOT REPORTED THE ALLEGED EXTORTION ATTEMPT TO THE CABINET, TOGETHER WITH THE FACT THAT THIS HAD BEEN THE TOPIC OF THE CONVERSATIONS IN WHICH HE WAS "PRESSURED" BY ME.

4. I SAID IT WAS NOT FOR ME TO JUDGE WHY THE MINISTER HAD MISREPRESENTED OUR CONVERSATIONS. I, HOWEVER, WANTED TO MAKE VERY CLEAR AND WANTED HIM TO MAKE EQUALLY CLEAR TO PRESIDENT BANZER THAT FAR FROM "INTERVENING" IN BOLIVIAN DECISIONS, MY PURPOSE WAS TO GIVE THEM THE OPPORTUNITY TO INVESTIGATE THESE ALLEGATIONS AND ASSURE THEMSELVES OF AN OBJECTIVE DECISION BASED ONLY ON THE INTERESTS OF THE COUNTRY. ADRIAZOLA SAID HE APPRECIATED DEEPLY MY REPORT OF THE FACTS AND HE WOULD INFORM PRESIDENT BANZER PROMPTLY. THE DISCUSSION OF "INTERVENTION" WAS PROMPTLY DROPPED. ADRIAZOLA DID ASK WHY I HAD GONE CONFIDENTIAL

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TO GENERAL VILLALPANDO RATHER THAN TO HIM. I RESPONDED THAT SINCE THE ARMED FORCES WERE PARTICIPATING IN THE AUTOMATIVE PROJECT THROUGH THEIR DEVELOPMENT CORPORATION (COFADENA), I THOUGHT THEY COULD REASONABLY PURSUE THE TASK OF ASSURING A FAIR DECISION WITHOUT MY MAKING AN INTERGOVERNMENTAL ISSUE OF IT.

5. COMMENT: MORE IMPORTANT TO MY CHOICE OF VILLANPANDO WAS THAT THE ARMED FORCES HAVE A STRONG INTEREST IN AN OBJECTIVE DECISION AND WILL HAVE TO LIVE WITH IT OVER COMING YEARS, WHEREAS SOME MINISTERS LEAVING THE GOVERNMENT IN 50 DAYS' TIME, AT LEAST ONE OF WHOM WAS PROBABLY INVOLVED IN THE EXTORTION ATTEMPT, MAY HAVE A DIFFERENT PERSPECTIVE.

6. THE SAME EVENING I TALKED TO PRESIDENNT BANZER AT A DIPLOMATIC CORPS DINNER. I TOLD BANZER I HAD JUST HAD AN UNPLESANT CONVERSATION WITH ADRIAZOLA AND WANTED TO MAKE SURE ADRIAZOLA REPORTED FULLY TO HIM HOW MY EFFORT TO GIVE BOLIVIA A CHANCE TO INVESTIGATE ALLEGED IMPROPER ACTIVITY HAD BEEN TWISTED INTO A TALE OF PRESSURE TACTICS. IT BECAME QUICKLY CLEAR THAT BANZER KNEW THAT WHAT WAS

INVOLVED WAS AN ALLEGED EXTORTION ATTEMPT (APPARENTLY PEREDA HAD TALKED TO BANZER, AS HE TOLD ME HE WOULD). THIS RAISES A QUESTION AS TO WHY BANZER DID NOT STRAIGHTEN OUT THE MINISTER OF INDUSTRY'S OBFUSCATION EFFORT IN THE CABINET MEETING.) BANZER TRIED TO DEFEND THE MINISTER OF INDUSTRY BY TELLING ME ALL BIG COMPANIES HAVE A LITTLE MONEY AVAILABLE FOR "EXPEDITING" AND IT IS ALWAYS HARD TO KNOW WHETHER A COMPANY OFFERS A BRIBE FIRST OR AN OFFICIAL ASKS FOR ONE. I TOLD BANZER THAT AN INVESTIGATION WOULD HELP TO CLARIFY THAT POINT. (THE MINISTER OF INDUSTRY HAS DONE NOTHING TO INVESTIGATE THE ALLEGATIONS.) I TOLD BANZER I HOPED IT WAS CLEAR THAT MY ROLE DID NOT GO BEYOND GIVING BOLIVIA AN OPPORTUNITY TO ASSURE ITSELF OF AN OBJECTIVE DECISION. BANZER NODDED BUT SAID HE WAS NOT HAPPY ABOUT MY CONFIDENTIAL

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RAISING CONCERNS IN THE ARMED FORCES COMMAND ABOUT HIS MINISTER'S STEWARDSHIP IN THIS MATTER.

7. COMMENT: BEFORE I RAISED THE ALLEGED EXTORTION ATTEMPT WITH VILLALPANDO, I DISCUSSED WITH CHRYSLER VICE PRESIDENT LESHINSKY THE RISKS OF MY DOING SO, SINCE A BRUHAHA WAS INEVITABLE. HE FELT STRONGLY THAT THE RISKS TO CHRYSLER OF LOSING THE CONTRACT BECAUSE OF FRAUD WERE GREATER THAN THE RISKS FROM THE BACKLASH OF A BRUHAHA. IT IS STILL NOT CLEAR, HOWEVER, WHETHER CHRYSLER'S CHANCES HAVE BEEN IMPROVED OR DAMAGED BY BLOWING THE WHISTLE. BANZER IN THE END MAY DECIDE WHETHER HE WANTS TO SPITE US FOR BLOWING THE WHISTLE OR ASSURE THAT THE EXTORTION CHARGE IS SILENCED BY AWARDING THE CONTRACT TO CHRYSLER. (ALL THE ECONOMICS CLEARLY FAVOR CHRYSLER'S OFFER OVER RENAULT, THE ONLY OTHER COMPANY STILL IN COMPETITION FOR THE ASSEMBLY OF LIGHT TRUCKS.) BANZER IS OBVIOUSLY VERY ANXIOUS TO SWEEP THIS ISSUE UNDER THE RUG, BUT THE CULPRITS IN THE MINISTRY OF INDUSTRY MAY BE OUT TO GET CHRYSLER. NOT THAT WE REALLY HAD A CHOICE, SINCE IT SEEMS TO ME US LEGISLATION ON FOREIGN BRIBES IMPLIES A STRONG OBLIGATION ON THE PART OF THE USG TO PROTEST, AND ATTEMPT TO PROTECT US FIRMS FROM, INSTANCES OF REQUESTS FOR IMPROPER PAYMENTS. A FINAL GOB DECISION COULD COME SHORTLY. BOEKER

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## Message Attributes

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